

## **Army extends deadline for 'Third Wave' exemptions**

by Gary Sheftick, WASHINGTON (Army News Service, Dec. 18, 2002)

The deadline has been extended to Jan. 15 for Army functional chiefs to submit final requests arguing what positions should be exempt from the "Third Wave" of privatization.

Initially 213,637 positions - 154,910 held by civilian employees and 58,727 held by soldiers -- were designated as "non-core" to the Army and eligible for public-private competition. That's well over half of the Army's 247,400 civilian jobs. But officials said the final numbers could be much different.

"Everybody wants an exemption," said Dr. John Anderson, the Army official responsible for initially reviewing exemption requests.

Anderson already has received requests for thousands of positions to be exempted from the next wave of A-76 competitions and privatization actions. Many of the requests, though, had to be returned to functional chiefs for additional information. So the Nov. 29 deadline for exemption requests was extended until mid-January. And the target date for Assistant Secretary of the Army (Manpower and Reserve Affairs) Reginald Brown to finish reviewing the recommendations has been moved forward. Feb. 20 is now the date for an expected announcement on Third Wave exemption decisions.

As Anderson looked over stacks of Third Wave documents on his desk, he explained the origin of the term:

The first wave of outsourcing began in 1979 following the signing of Office of Management and Budget Circular A-76. It is often associated with OMB Director David Stockman, he said.

The second wave began peaking in 1998 and is often associated with "reinventing government." It involved the Defense Reform Initiative Directive known as DRID-20 and the Federal Activities Inventory Reform or FAIR Act.

The "Third Wave" was initiated by the "President's Management Agenda" signed by President Bush last year. Army Secretary Thomas White said the Third Wave will be "bigger and faster" than previous ones and may include "alternatives to A-76."

"Bigger chunks of competition could result in economies of scale," Anderson said.

Anderson explained that A-76 competitions would no longer be limited to installations and could cover an entire function Army-wide. He said for the first time, functions other than base operations will be competed. He also said that some functions -- such as research & development and architectural engineering -- are exempt from A-76 by statute and could be privatized without competition.

Memorandums and information papers on the Third Wave almost cover the nameplate on Anderson's desk that reads: "Dr. DRID."

Anderson, who has a doctorate in philosophy and a law degree, was given that nameplate several years ago by a general officer while he was immersed in trying to meet the goals of DRID-20 and the FAIR Act. Anderson reviewed appeals as to which Army functions were "inherently governmental" and which could be outsourced. That was during the Second Wave of A-76 competitions.

Anderson said there are three over-arching reasons for the Third Wave. The primary objective, he said, is to make sure the Army is using its manpower as efficiently as possible, "before asking for additional resources."

The second objective is to free up military manpower for core functions and the global War on Terrorism. Anderson said this is necessary because the Army is operating within fixed constraints - an end-strength of 480,000 active-duty soldiers - in a wartime environment where there may be increasing demands for military capabilities.

Third, Anderson said it is necessary for the Army to be a good steward of the taxpayers' dollars and to support the President's Management Agenda that calls for competitive sourcing.

Anderson explained that soldiers performing functions determined to be non-core to the Army will be moved to positions where they can perform core competencies.

"No(military)end strength is going to be cut by this," Anderson said. In fact, he said the Third Wave should help beef up the Army's combat and combat support capabilities.

"We will leverage our current end strength by converting non-core military to civilian employees or contract, where appropriate," Anderson said.

When soldiers are moved out of non-core positions, it will cost an estimated \$55,000 per soldier to replace them with contractors, Anderson said. And then some of the soldiers may need to be retrained in other specialties. He said this will be paid for through savings generated from public-private competition.

"There's no free lunch here," Anderson said.

Not all of the non-core functions will be contracted out though, Anderson said. Some will simply be divested or eliminated, he said. Some could be transferred to another executive agency. Some could be worked by civilian employees. Remaining non-core functions -- performed both by soldiers and civilians -- will be included in A-76 competitions.

None of these actions will begin, however, until exemption decisions are made and Implementation Plans are approved by the Secretary of the Army. Anderson said the exemption recommendations will be coordinated with G1, G3, and other Department of the Army staff principals through a formal process.

First a validation process will check the functional data base and administrative corrections will be made, Anderson said. Then Army functional chiefs who head up career fields will have an opportunity to "vet issues from a policy standpoint."

Major commands provide input to Army functional chiefs at the Pentagon, Anderson said. Then the chiefs submit requests as to which functions under their purview should be exempted.

"Just because a function is not inherently governmental doesn't mean it should be contracted," Anderson said. He said there's a difference between what jobs "could" and "should" be contracted.

Anderson, in coordination with Army staff principals, formulates exemption recommendations for the assistant secretary of the Army (Manpower & Reserve Affairs). If functional chiefs don't agree with a recommendation, Anderson said there's "likely to be a negotiation process" involving "discussion and collaboration."

If parties still don't agree, Anderson said alternate recommendations will be sent to Brown, who will make a decision.

The new OMB Circular A-76 -- now in draft form for public comment -- assumes that all functions are subject to competition unless exempted in writing, with rationale, by an assistant secretary.

Even after Brown announces exemptions, parts of the decisions will be subject to public challenge under the FAIR Act, Anderson said. And the decisions will be subject to review by the secretary of the Army, the secretary of Defense, the Office of Management and Budget, and Congress.

Then the Army's "Non-Core Competencies Working Group" will decide how non-core functions will be competed. Right now the group is just beginning to develop implementation plan templates, said its deputy chairman, Jim Wakefield.

Wakefield wants to calm Army civilian employees and soldiers who fear their jobs might soon be contracted out or eliminated.

First, he said A-76 competitions will be held over the next seven years -- not overnight. DoD and the military services are now in the process of determining whether DoD's budget should project the competitions to be completed by fiscal year 2008 or 2009.

Second, if military positions are contracted out, Wakefield said soldiers will simply be moved to another location or trained in another specialty. Third, Army employees will have a chance to compete for their jobs by developing "most efficient organizations," Wakefield said. He pointed out that only 408 employees have been involuntarily separated to date during the Army's "Second Wave" of A-76 competitions. That wave began in November 1996 with 20,000 positions covered by A-76 studies completed so far and another 13,000 being looked at in ongoing competitions.

Even if entire functions are contracted out, "you always need some type of core capability," Wakefield said, at least a "smart buyer" capability, so that someone can monitor the contractors.